

**The City of Lynchburg
Review of Bank One Credit Card Purchases
Community Planning
July 24, 2006**



Prepared by the Department of Internal Audit

Introduction

The Department of Internal Audit performs reviews of charge card purchases throughout the City on a routine basis. These audits are performed on records of departments or sub-departments that are selected with the goal of providing city-wide coverage and continuous monitoring of the expenses.

Departments are responsible for printing bi-weekly statements from Bank One's electronic report generation system, reconciling receipts/charge slips to the bi-weekly transactions on the statements, entering the general ledger expense codes for each transaction into Bank One's electronic report generation system, and maintaining the detailed transactions for the time period required by the City of Lynchburg's record retention policy. Our audit of Bank One expenditures of Community Planning was performed as one of the regularly scheduled standard audits on the annual internal audit plan.

Review Objectives

The purpose of the review was to determine that:

- Charges are supported by an invoice;
- Invoices and/or statements are properly approved;
- Receiving documents are present (where applicable);
- Charges and payments are appropriate and accurately recorded;
- Card authorization forms are on file for employees; and
- Disputed charges and/or returns are resolved in a timely manner

Scope of Work

We interviewed personnel in the Community Planning Department and reviewed support documentation for transactions posted on the reporting system during the period of 12/30/05 through 04/08/06. We also determined the accuracy of accounting codes and verified that signed employee authorization forms were on file in Procurement. Our tests included 61 transactions for 22 of the 27 employees to whom Bank One cards were issued.

The audit was conducted in accordance with professional internal auditing and generally accepted governmental auditing standards specified in the City's Internal Audit Charter and, accordingly, included such tests of records and other audit procedures as were considered necessary in the circumstances.

The Internal Audit Department is free from organizational impairments to independence in our reporting as defined by government auditing standards. We report directly to an

audit committee and, administratively to the city manager and are organizationally outside the staff or line management function of the areas we audit.

Opinion On Internal Controls

The objectives of a system of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management authorization and are properly recorded.

Based on this review, it is our opinion that controls need to be strengthened to ensure that departmental statements are properly approved and transactions are authorized.

Audit Conclusions

Based on the results of our review, we conclude that...

- Expenditures were adequately supported by an invoice except as noted in the “Observations & Suggestions” section of the report;
- Receiving documentation was on file where appropriate except as noted in the “Observations & Suggestions” section of the report;
- Charges were reasonable;
- Transactions were accurately recorded except as noted in the “Observations & Suggestions” section of the report;
- Card authorization forms were on file for employees; and
- Disputed charges and/or returns were resolved in a timely manner.

We also conclude that controls need to be strengthened over the approval process.

Observations and Suggestions

Based on the testing of 61 transactions, the following exceptions were noted:

1. Packing slips were not maintained for four delivered purchases.

Suggestion: To help prevent duplicate payments, we suggest all shipping documents (receipt of goods) are dated and initialed by the person receiving the goods.

Response: While four of the delivery receipts were misplaced, staff is aware of this process and will make every effort to be certain that shipping documents are initialed and placed with the respective documentation for the transaction.

2. Five transactions did not have an invoice/receipt present. For three of these, it was noted that the receipts were lost. There was no explanation for two.

Suggestion: If a receipt is lost or destroyed, the cardholder should document the items purchased, quantity, price, vendor, and the reason for no receipt. Also, the documentation should be signed by the cardholder and the cardholder’s supervisor.

Response: Of the two receipts that had no invoice/receipt one of the receipts was in the file. However, in the Bank One review the items that were on the February 10, 2006 invoice that were reviewed, were split into two separate receipts. Therefore, this receipt is accounted for in the file.

The other transaction with no receipt was completed by the employee via the Internet and the employee failed to obtain a receipt. The staff has been reminded that all transactions require a receipt at the time of purchase.

The Bank One Coordinator will ensure that any lost receipts have the proper information, as suggested, on the documentation.

3. Twelve transactions were coded incorrectly.

Suggestion: We suggest that staff review the current expenditure codes in use and determine which are not appropriate. The incorrect codes were discussed with the Bank One Coordinator.

Response: The transactions that were suggested to be coded with more appropriate base and detail codes have been noted. The Bank One Coordinator will ensure that each transaction is posted in the correct account code.

4. None of the transmittals were initialed and dated by the approval authority.

Suggestion: We suggest that all transmittals be initialed & dated by the approval manager as required in the department's internal control plan.

Response: The Transaction Review Report is always reviewed on a biweekly basis by the Bank One Coordinator and Bank One Administrator. Effective immediately, the Bank One Administrator and Bank One Coordinator will sign and date the Report on a biweekly basis.

Other Comments:

We appreciate the time and assistance received from the department's Bank One Coordinator, Melva Walker and Administrative Services Associate, Sherry Pullum during this review. We are available to discuss this report should there be any questions, and offer our assistance, if needed, in addressing the reported issues.

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